

## Stark Opening Remarks On Nursing Home Ownership And Quality

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### STARK OPENING REMARKS ON NURSING HOME OWNERSHIP AND QUALITY

WASHINGTON,  
D.C. -- Representative Pete Stark (D-CA), Chairman of the Ways and Means Health Subcommittee, prepared the following opening remarks for today's hearing on nursing home ownership and quality.

"Good morning. Thank you all for joining us today for the first in what I hope will be a series of hearings on nursing home quality issues. It has been twenty years since passage of the Nursing Home Reform Act, and over a decade since the Ways and Means Committee held a hearing on nursing home issues. Despite improvements in some areas of quality, there is still much to be done. The lives of our most frail senior citizens are at stake, and our return to this issue is long overdue.

"As I've said before, I don't want to prejudge anyone in the nursing home industry, but I am gravely concerned about a disturbing trend underway. In recent years, several nursing home chains have changed their corporate structure in ways that obscure the real ownership and management of individual facilities. In doing so, the chains are able to shield assets and limit liability. They obscure regulators' efforts to find the responsible party and seek corrective action or collect monetary penalties. Beneficiaries are similarly limited in their ability to seek remuneration for injury or neglect.

"The result is a lack of transparency and accountability. How can we hold nursing home chains accountable for the quality of care if they are hiding their true ownership relationships? This phenomenon is seen in many of the nursing home chains, and I fear that the move to more

private equity ownership will exacerbate an already troubling trend.

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more worrisome is the negative effect on quality that may result from these changing corporate structures. I was alarmed to read an investigative piece in The New York Times earlier this year that documented quality declines in private equity-owned nursing homes. The heightened focus on profit maximization in the restructured organizations may come at the expense of quality of care. When cost cutting leads to staffing cuts, patient care suffers, and our most frail seniors are put in jeopardy. We will hear later this morning about research showing that deficiencies have increased when homes become private equity-owned, including deficiencies that put nursing home residents in immediate jeopardy.

"We cannot

forget that this industry operates largely on the government dime. Medicare and Medicaid pay for the majority — 60 percent — of spending on nursing homes annually, with the remainder coming out-of-pocket or from private insurance. At any one time, nearly 80 percent of residents living in nursing homes are supported by public funds.

"These troubling trends are going on at the same time as the nursing home industry is enjoying healthy Medicare margins of nearly 13 percent in 2005. For profit nursing homes are doing even better, with soaring stock prices and Medicare margins of 15.5 percent in 2005!

"This industry is publicly supported and must be held accountable to the public for the care it provides. Nursing homes chains should be striving to improve care, not increasing profits by cutting corners at the expense of seniors and people with disabilities. I plan to continue investigating nursing home quality and accountability issues in the new year, and to pursue legislation if need be. I have already received some policy recommendations from a coalition of consumer groups and others, which I will review and would like to enter into the record. Mr. Camp and I also plan to take the lessons we learn today and jointly pursue a GAO investigation into how ownership structure affects the quality of care.

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thank our witnesses for joining us today. I look forward to hearing their testimony and refocusing Congressional oversight on the important sector of health care."